

Message Text

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PAGE 01 STATE 311342
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TO USMISSION EC BRUSSELS
AMEMBASSY PARIS

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E.O. 11652: N/A

TAGS:EC, ETRD

SUBJECT:US STEEL COUNTERVAILING DUTY CASE

1. SINCE US DEPARTMENT OF JUSTICE'S MOTION TO SUSPEND
THE US STEEL VAT COUNTERVAILING DUTY CASE UNTIL THE ZENITH
CASE IS DECIDED WAS DENIED, AND IT THUS IS CLEAR THAT THE
US STEEL CASE WILL NOW MOVE FORWARD, JUSTICE URGENTLY
NEEDS ADDITIONAL INFORMATION TO PREPARE FOR THE NEXT STEPS
IN THE CASE.

2. FOR USEC: MISSION IS REQUESTED TO ASK THE UNION DES
INDUSTRIES DE LA COMMUNAUTE EUROPEENE (UNICE) FOR
ASSISTANCE IN PROVIDING THE INFORMATION REQUESTED IN
PARAS 3-5. FYI IN THE SPRING OF 1976 BERNARD SASSEN,
SECRETARY GENERAL, AND PROFESSOR DE MOOR OF UNICE CALLED
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PAGE 02 STATE 311342

ON JUSTICE ATTORNEYS TO DISCUSS THE CASE. UNICE IS NOW
PREPARING TO ASK THE CUSTOMS COURT TO ALLOW IT TO ENTER
THE CASE AS AMICUS CURIAE. END FYI.

3. WE UNDERSTAND THAT UNICE HAS A COPY OF THE DOCUMENT
ENTITLED LEGAL AND ECONOMIC BRIEF WHICH WAS SUBMITTED BY

US STEEL TO TREASURY IN SUPPORT OF THEIR COUNTERVAILING DUTY PETITION. SEVERAL MONTHS AGO JUSTICE ATTORNEYS ASKED UNICE TO REVIEW EXHIBIT 2 OF THIS DOCUMENT WHICH SUMMARIZES

THE VAT IN EACH OF THE EC MEMBER STATES. HAS UNICE BEEN ABLE TO DETERMINE WHETHER EXHIBIT 2 ACCURATELY SUMMARIZES THE VAT? IN ADDITION JUSTICE WOULD FIND A MEMORANDUM DETAILING THE MECHANICS OF THE APPLICATION OF THE TAX AND ITS REBATE ON EXPORTS VERY HELPFUL.

4. US STEEL ALLEGES (IN PARAGRAPHS 29 AND 30 OF ITS COMPLAINT TO THE CUSTOMS COURT) THAT A CASH FLOW INCENTIVE ARISES FROM THE VAT BORDER ADJUSTMENT IN FRANCE, BELGIUM AND ITALY. JUSTICE HAS BEEN TOLD THAT UNICE IS PREPARING STUDIES OF THE CASH FLOW EFFECTS OF THE FRENCH AND ITALIAN BORDER TAX ADJUSTMENTS. JUSTICE UNDERSTANDS THAT IT WILL BE RECEIVING THESE STUDIES AND WOULD APPRECIATE IT IF A STUDY COULD BE PREPARED ON BELGIUM AS WELL.

5. US STEEL COMPLAINT ALLEGES (PARAGRAH 31) THAT "BELGIUM, FRANCE AND ITALY EXEMPT SUBSTANTIAL EXPORTERS FROM PAYING VAT ON THEIR PURCHASES OF FIXED ASSETS AND/OR INPUT MATERIALS AND SERVICES." FURTHER, THE COMPLAINT STATES (IN PARAGRAPH 33) THAT FRANCE AND PERHAPS OTHER NATIONS ENCOURAGE CONSTRUCTION OF LARGE EXPORT-ORIENTED STEEL PRODUCING COMPLEXES THROUGH THE VAT. SPECIFICALLY, IT IS ALLEGED (AT PAGES 138-139 AND EXHIBIT 5 OF THE LEGAL AND ECONOMIC BRIEF BEING AIRMAILED TO JOHN MCCARTHY AND QUINCY LUMSDEN) THAT SOCIETE SOLMER WAS EXONERATED UNCLASSIFIED

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PAGE 03 STATE 311342

FROM PAYING VAT ON PURCHASES OF FIXED ASSETS FOR THE CONSTRUCTION OF ITS STEEL COMPLEX AT FOS, FRANCE. CAN UNICE PROVIDE ANY INFORMATION ON THE ACCURACY OF THESE ALLEGATIONS OTHER THAN THE PARTICULAR CASE OF THE FOS STEEL FACTORY?

6. FOR PARIS: WOULD APPRECIATE IT IF YOU COULD LOOK INTO ALLEGATION THAT VAT WAS EXONERATED ON FIXED ASSETS USED IN CONSTRUCTION OF SOLMER STEEL PLANT AT FOS. GENERAL INFORMATION ON ALLEGED FRENCH POLICY OF ENCOURAGING CONSTRUCTION OF LARGE EXPORT-ORIENTED STEEL MANUFACTURING FACILITIES THROUGH VAT EXONERATION WOULD ALSO BE HELPFUL.

ROBINSON

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